FY 2004 President's Budget
CMC Congressional Testimony Prep

Budget Overview
24 January 2003

Agenda

- Budget Highlights
  - Marines/Families
  - Readiness
  - Infrastructure
  - Modernization/Transformation, Green $
  - Modernization/Transformation, Blue $
- Resource Overview
- Global War on Terrorism
- Summary

Date: 22 Jan

Marines/Families

- Supports total force of 175,000 Active and 39,600 Reserves
- Pay Raise
  - 2% basic plus targeted additional 1.2 – 4.25% for all (except E-1s)
  - Net Result 3.2 – 6.5% pay raise
- Basic Allowance for Housing (BAH)
  - Out of pocket expenses reduced to 3.5% in FY04 and 0% in FY05
- Combat-Related Disabled Retirees
  - Marine Corps has budgeted $18M in FY04 (Concurrent Receipts)
- Defense Health Program (DHP) for over 65 Years Old
  - Supports Marine Corps accrual costs to the DoD Medicare Eligible Retiree Health Care Fund
- Recruiting Accessions
  - Supports Marine Corps accession plan to maintain authorized force levels

Date: 22 Jan

Readiness

- Ammo: -16%, but training is fully supported
- Training: FY03 – FY04 changes:
  - USMC Exercises: -12%
  - Joint Exercises: +17%
- Depot Maintenance: -28%
  - Balance medium term readiness with need to protect modernization and transformational programs
- Base Support: 100% funded to accomplish mission

-FY 2004 President's Budget-

Infrastructure

(FH/MCON/FSRM/BRAC)

- Facilities, Sustainment, Restoration, and Modernization (FSRM)
  - OSD goal: C2 readiness rating by FY2010
    - Controversial OSD model
  - USMC currently 57% C3/C4
    - Achieve C2 by FY2013

- Military Construction (MCON)
  - OSD goal: 67 year replacement cycle by FY2007
    - Controversial OSD model
  - USMC achieves goal by FY2008

- Family Housing (FH) Inventory: 21,552 homes (owned, leased, PPV)

  Inadequate homes:
  - OSD goal: Eliminate "inadequates" by FY2007
  - USMC currently 15,970 existing homes inadequate
    - Achieve goal in FY07 through PPV & traditional military construction

  Deficit: Currently 5,071 homes deficit
    - USMC deficit will be eliminated in FY 2009
- Barracks
  - Permanent waiver for 2x0
  - Achieve 2x0 construction standard by FY2012
  - Eliminates permanent party gang heads by 2005

Date: 22 Jan

Modernization/Transformation (Green Top) Top $10 Procurement Programs

(FYDP $ in millions)

Program	FY04	FY05	FY06	FY07	FY08	FY09	Total
AAAV	98	68	240	267	546	830	2,049
HMMWV-A2	127	150	142	163	132	-	714
Unit Operations Center (UOC)	29	36	42	125	152	148	532
High Mobililty Artillery Rocket System (HIMARS)	18	18	170	246	69	-	521
Light Weight-155	111	176	177	74	-	-	538
Common Computer Resources	62	72	86	105	101	106	532
Common Aviation Command & Control System (CAC2S)	-	-	4	39	42	42	127
Joint Tactical Radio System (JTRS)	14	33	32	91	81	73	324
Logistics Vehicle Systems Replacement (LVSR)	-	-	60	94	97	57	307
Predator	36	37	41	36	37	37	225

Top Ten programs account for 54% of FY04-FY09 PMC dollars.

Indicates Initial Operational Capability

Note: Numbers may not add due to rounding.

Date: 22 Jan

Modernization/Transformation (Green Top) Top $10 Procurement Programs

(Quantities)

	Program	FY04	FY05	FY06	FY07	FY08	FY09	Total
*	AAAV	-	-	18	24	54	90	186
	HMMWV-A2	1,738	1,792	1,511	1,606	1,289	-	7,936
*	Unit Operations Center (UOC)	31	34	41	95	89	133	423
	High Mobililty Artillery Rocket System (HIMARS)	1	1	15	19	-	-	36
*	Light Weight-155	60	110	120	53	-	-	343
	Common Computer Resources	Various throughout FYDP			-	-	-	-
*	Common Aviation Command & Control System (CAC2S)	-	-	-	2	2	2	6
*	Joint Tactical Radio System (JTRS)	-	-	83	340	290	257	970
	Logistics Vehicle Systems Replacement (LVSR)	-	-	184	284	223	162	853
	Predator	526	673	805	739	789	829	4,361

Top Ten programs account for 54% of FY04-FY09 PMC dollars.

Indicates Initial Operational Capability

*FY04/05 Transformation Programs Primarily Still in R&D

Modernization/Transformation (Blue $)
Aircraft Procurement
(Quantities)

	FY 03	FY 04		FY 05		FY 06		FY 07		FY08	FY09
	PB04	PB03	PB04	PB03	PB04	PB03	PB04	PB03	PB04	PB04	PB04
FA/18 E/F/G	46	42	42	43	42	50	42	55	42	42	42
E-2C	5	2	2	3	2	4	2	4	2	* 4	5
V-22	11	13	9	15	8	20	17	27	29	30	33
MH-60S	15	13	13	22	15	26	26	27	30	30	40
T-45TS	8	-	15	-	8	-	5	-	-	-	-
JPATS	4	-	-	-	-	-	-	24	24	48	48
MH-60R	-	6	6	10	10	10	15	10	21	31	31
UH-1Y/AH1Z	-	9	9	11	7	22	14	28	23	23	24
KC-130J	4	4	-	4	4	8	4	9	4	4	5
UC-35	1	-	2	1	-	2	-	2	-	-	-
C-40A	1	-	1	-	1	3	1	1	3	3	3
C-37	-	-	-	-	1	2	-	-	-	-	2
MMA	-	-	-	-	-	-	-	2	-	-	8
JSF	-	-	-	-	-	4	4	8	8	29	52
CH-53E	-	-	-	-	-	-	-	-	-	3	5
T-39	-	-	1	-	2	-	3	-	3	7	-
BAMS UAV	-	-	-	-	-	-	-	-	2	4	4
TOTAL	95	89	100	109	100	151	133	197	191	258	302

* Funded in RDTE,N

+11 aircraft from FY 2004 column of the FY 2003 PB

Modernization/Transformation (Blue $)
Shipbuilding Programs

(Quantities)

	FY 03	FY 04		FY 05		FY 06		FY 07		FY 08	FY 09
	PB04	PB03	PB04	PB03	PB04	PB03	PB04	PB03	PB04	PB04	PB04
CVN-21	-	-	-	-	-	-	-	1	1	-	-
SSN 774	1	1	1	1	1	1	1	1	2	2	2
DDG 51	2	2	3	2	3	2	-	2	-	-	-
DDX	-	-	-	1	*1	-	1	-	1	2	3
LCS	-	-	-	-	*1	-	1	-	-	3	4
LPD 17	1	1	1	1	-	1	2	1	1	1	1
LHA (R)	-	-	-	-	-	-	-	-	1	-	-
MPF(F) (NDSF)	-	-	-	-	-	-	-	1	-	1	2
T-AKE (NDSF)	1	1	2	2	2	2	2	3	1	-	-
T-AOE (X) (NDSF)	-	-	-	-	-	-	-	-	-	-	2
Total New Constr	5	5	7	7	8	6	7	9	7	9	14
SSGN	2	2	2	-	-	-	-	-	-	-	-
Cruiser Conversion	-	1	1	2	2	4	2	4	2	3	3
Total Conversions	2	3	3	2	2	4	2	4	2	3	3
CVN RCOH	-	-	-	1	1	-	-	-	-	-	-
SSN/SSBN refueling	2	2	-	1	2	3	2	4	3	2	1
LCU (R)	-	-	-	5	2	5	3	5	3	3	3
LCAC SLEP	3	4	3	4	5	6	6	6	6	6	6
Mobile Offshore Base	-	-	-	-	-	-	-		-	-	1

*Funded in RDT&E,N

+2 new construction from FY 2004 column of the FY 2003 PB

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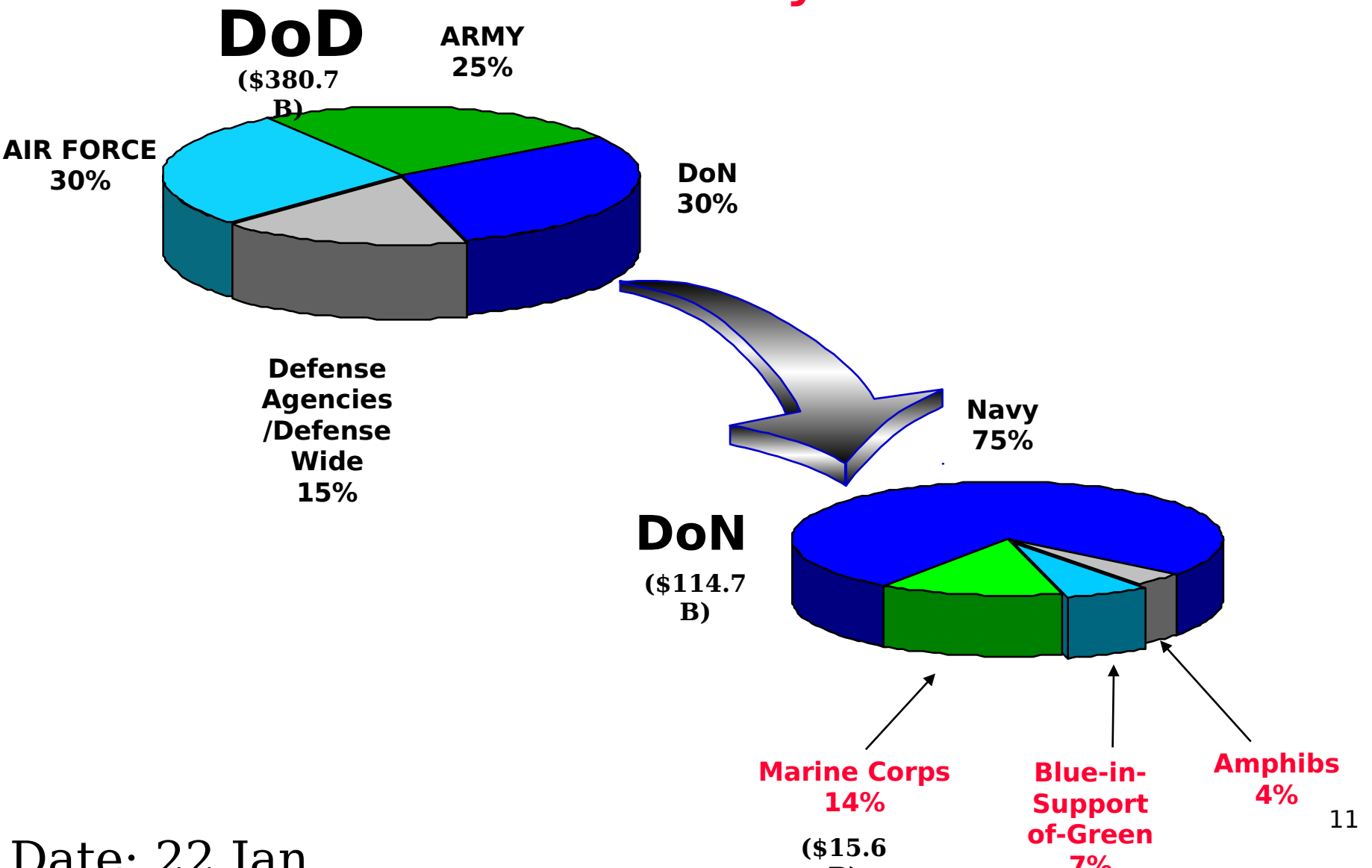
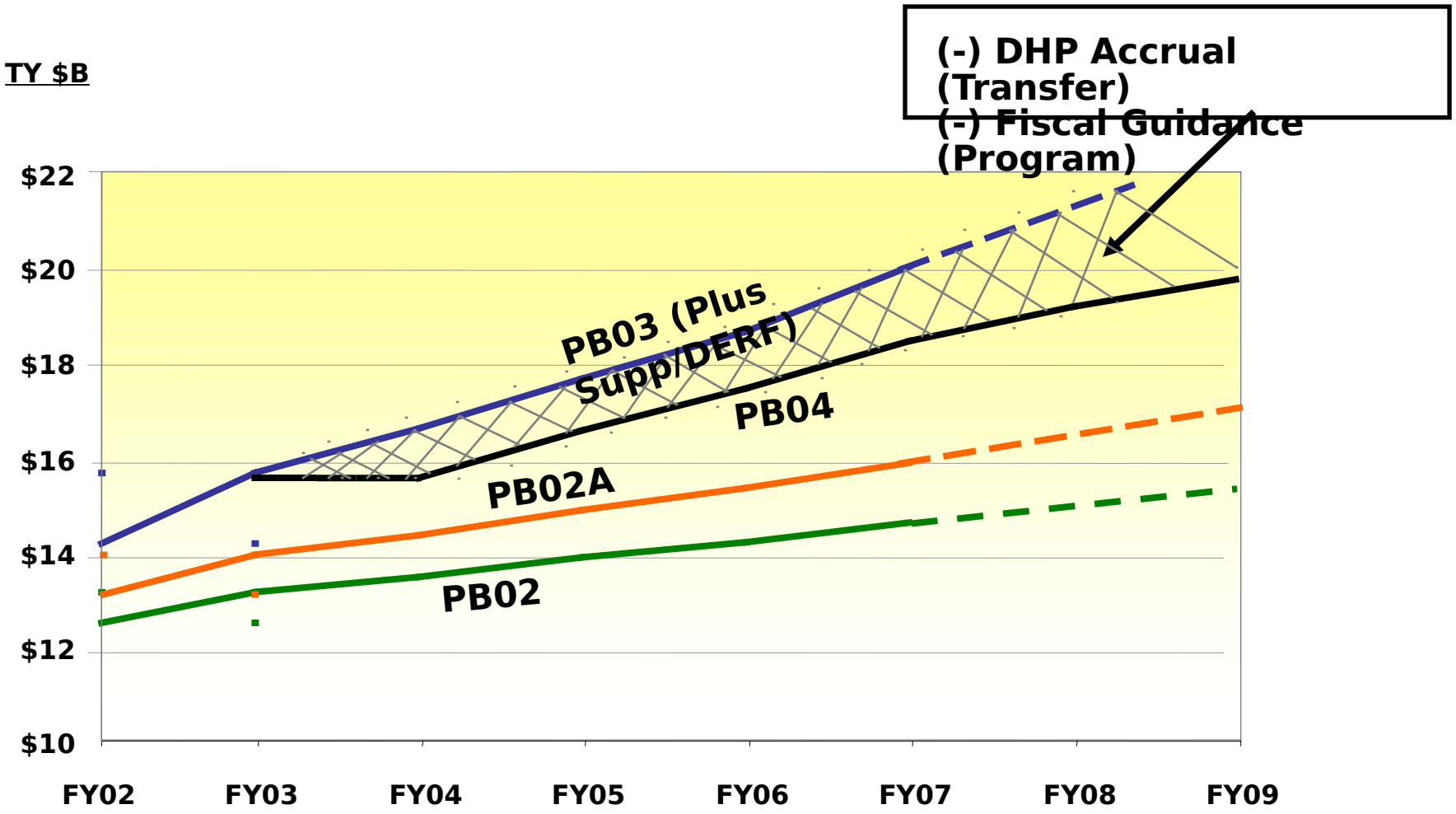
Marine Corps Relative Spending Authority

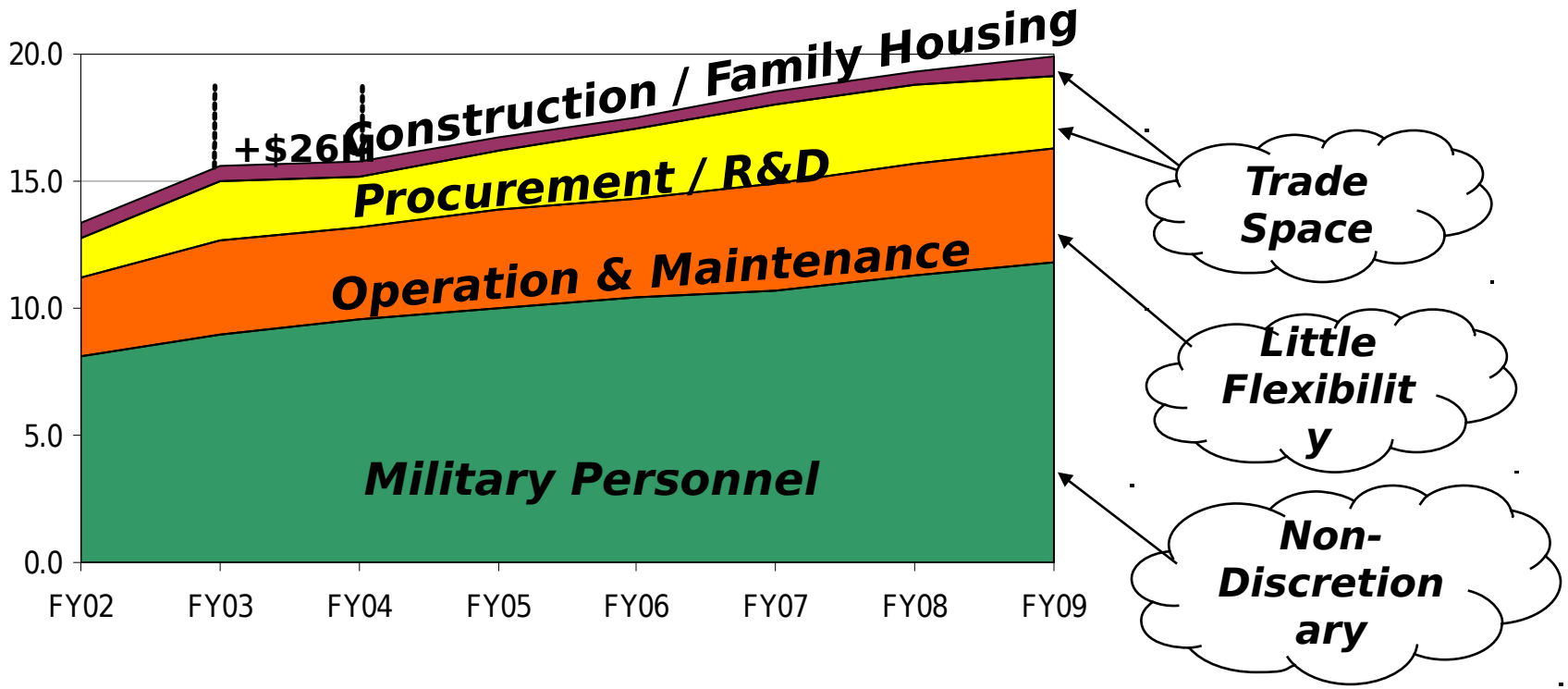


Date: 22 Jan

FY04 USMC President's Budget Request



FY 2004 Fiscal Landscape

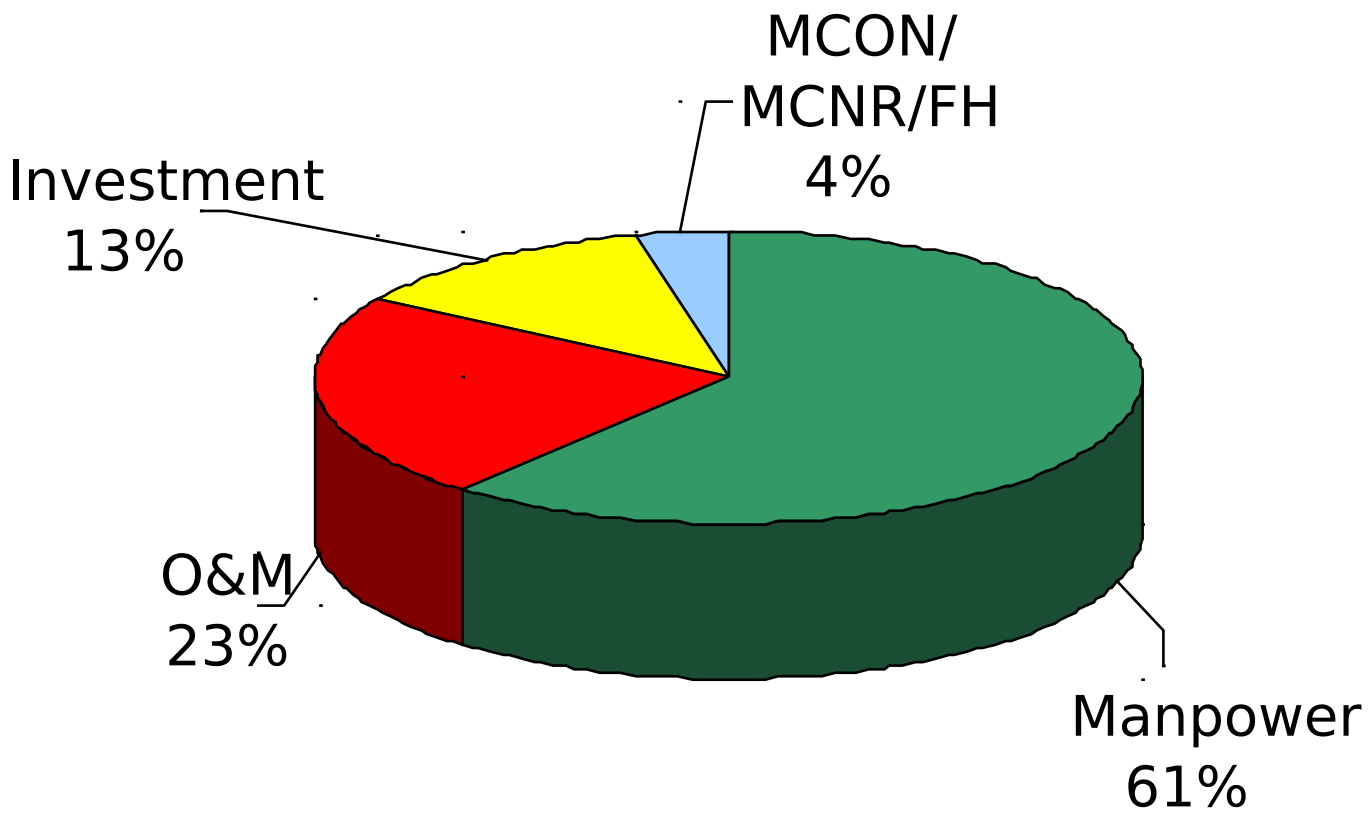


FYDP $$ in Billions	02	03	04	05	06	07	08	09
Const./FamHsg	0.6	0.6	0.6	0.5	0.4	0.5	0.5	0.8
Procurement/R&D	1.7	2.4	2.0	2.4	2.9	3.2	3.1	2.9
Operation & Maint.	3.1	3.7	3.6	3.9	3.9	4.2	4.4	4.5
Military Personnel	8.1	9.0	9.6	10.0	10.4	10.7	11.3	11.8
Total	**13.5**	**15.7**	**15.7**	**16.7**	**17.6**	**18.6**	**19.4**	**20.0**

Note: Numbers may not add due to rounding.

Date: 22 Jan

FY 2004 Funding Mix



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Green $ Budget FY03 – FY04

MilPers

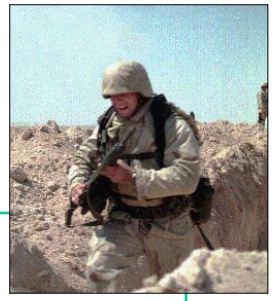
- Active +480M
- Reserve +33
- Pay Raise +209M
- Combat-Disabled Prog +15
- BAH Reform +164
- Accruals (RPA/BHP)
- FI .6
- DI 3
- BA 6
- SE

+$513M

-$120M

O&M

- OpForces +12M
- Base Support -18
- FSRM/MRP +82
- Depot Maint -42
- Logistics +26
- Training/TA +22
- Recruiting/Adv -3
- Other +38
- DERF (1 time) -237



+26M

-$342M

Procurement/R&D

- PMC -286M
- R&D -7
- PANMC -49

-$25M

MILCON/FH/BRAC

- BRAC -9M
- MILCON +2
- FH -

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Defense Emergency Response Fund (DERF)

- Congress provided first $10B request ($7B to DoD)
  - Various purposes… folded into regular appropriations
- Congress provided second $10B in the FY03 Omnibus Appropriations Bill
  - $3.9B for Intel Programs
  - $6.1B to finance GWOT ops (USMC share is $271M)
  - ONE/OEF steady state still unfunded at 50%
  - 1003V ops not funded at this time

ONE/OEF Costs

- "FY03 Joint Resolution Making Further Continuing Appropriations for FY03 and For Other Purposes", signed into law Fri, 21 Feb, provided $10B for DoD costs associated with GWOT.
  - $3.9B for classified programs
  - $6.1B for reimbursement of personnel and operational costs incurred during 1st qtr FY03

- USMC received $270.7M
  - $202.1M in Operation & Maintenance
    - Buys a couple of weeks; however, funds still run out end of May
  - $ 68.6M in MilPers
    - Buys time; however, funds still run out in July

Ammo Costs Attributable to ONE/OEF

- Although there is an unfunded requirement in the War Reserve, inventory is sufficient for immediate contingency plans

- Supplemental will request resources to replenish these stocks and will identify those critical for replenishment as usage deems

FY03 Incremental Cost of ONE/OEF

GOS Chart

- Does not include major war operations
- USMC FY03 estimate $619M
  - Military Personnel
    - -- Stop-Loss
    - -- Mobilization of Reservists
    - -- Execution shortfalls ($70M)
  - Operating and Support Costs
    - -- Includes Horn of Africa
  - Reconstitution and Recapitalization
    - -- Not included in estimates

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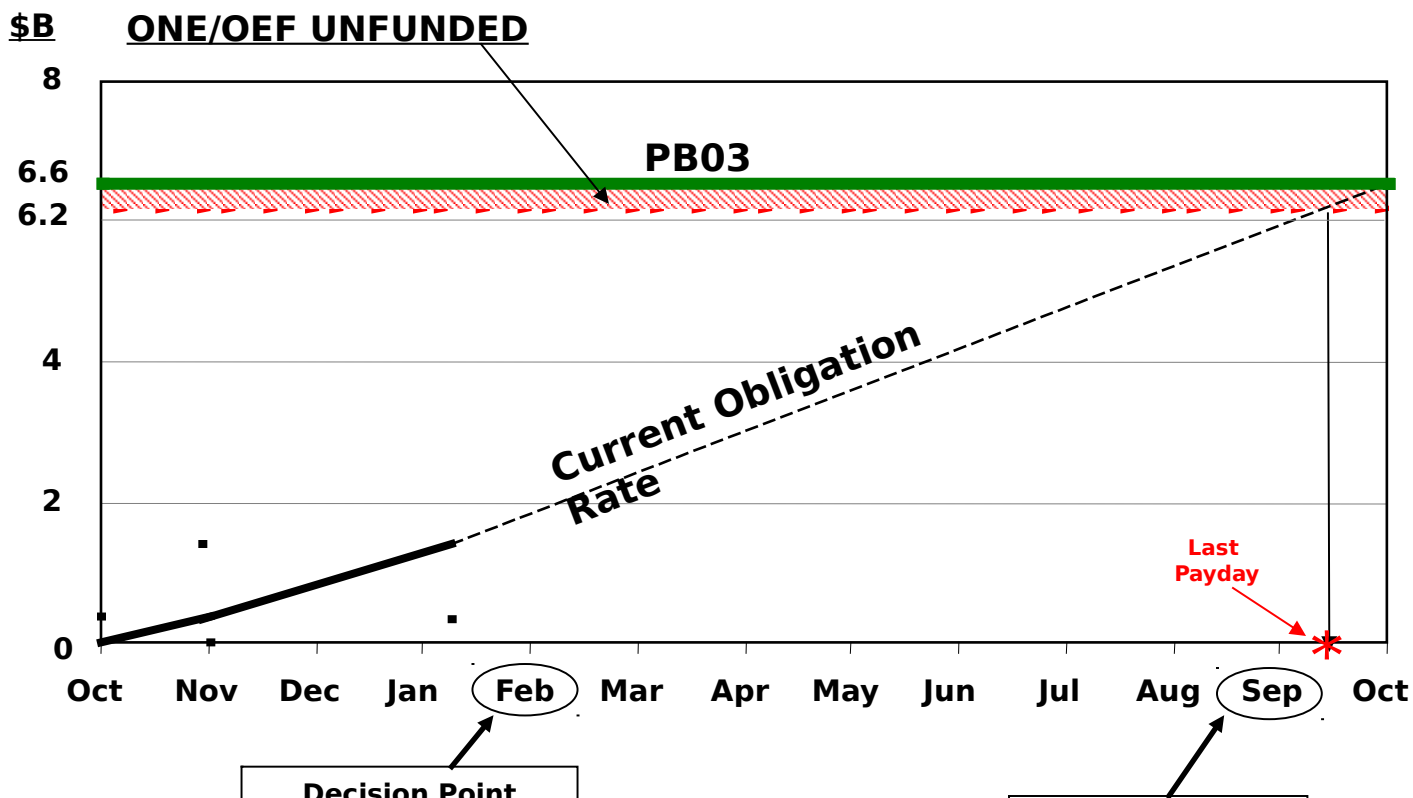
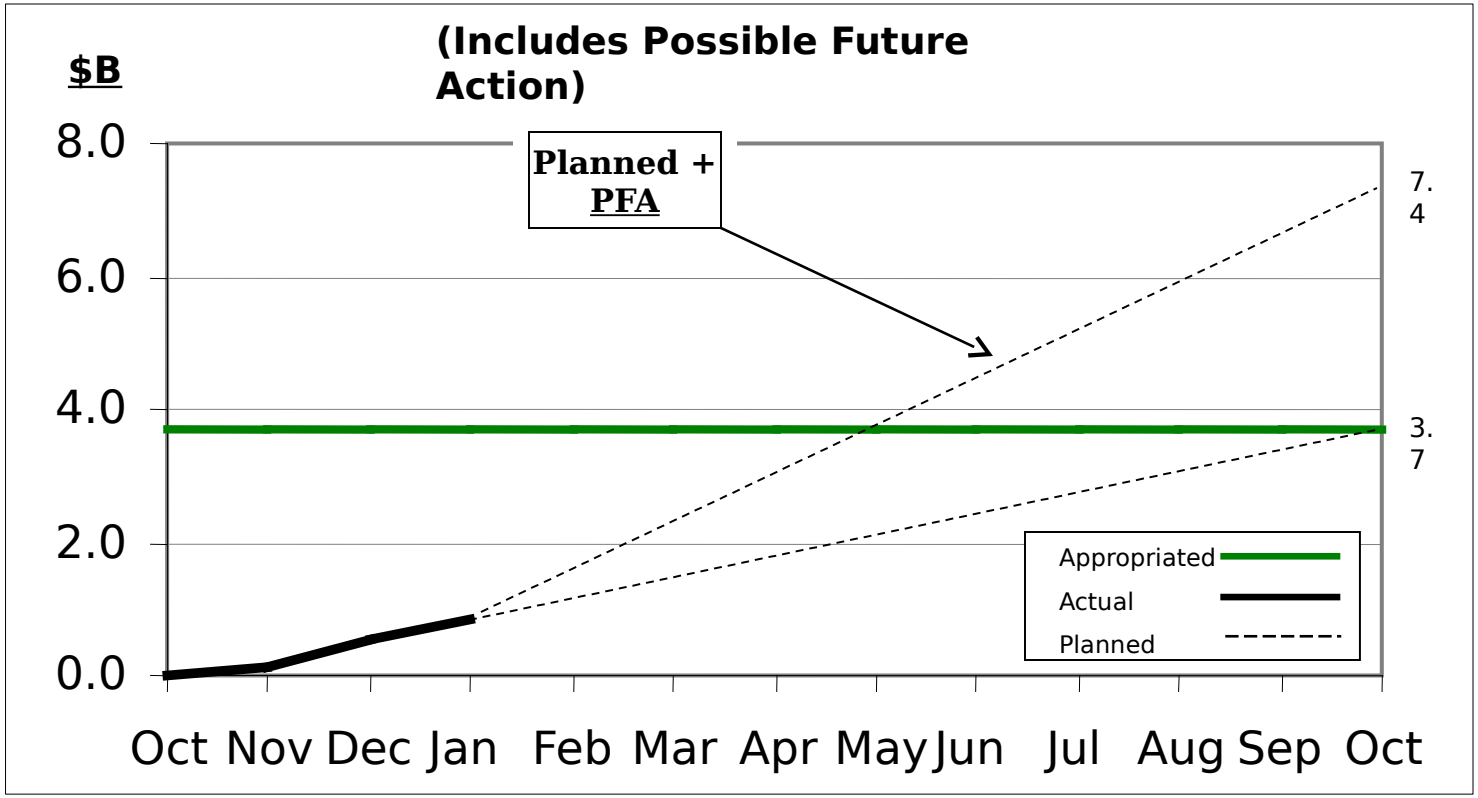
FY03 Incremental Cost of ONE/OEF

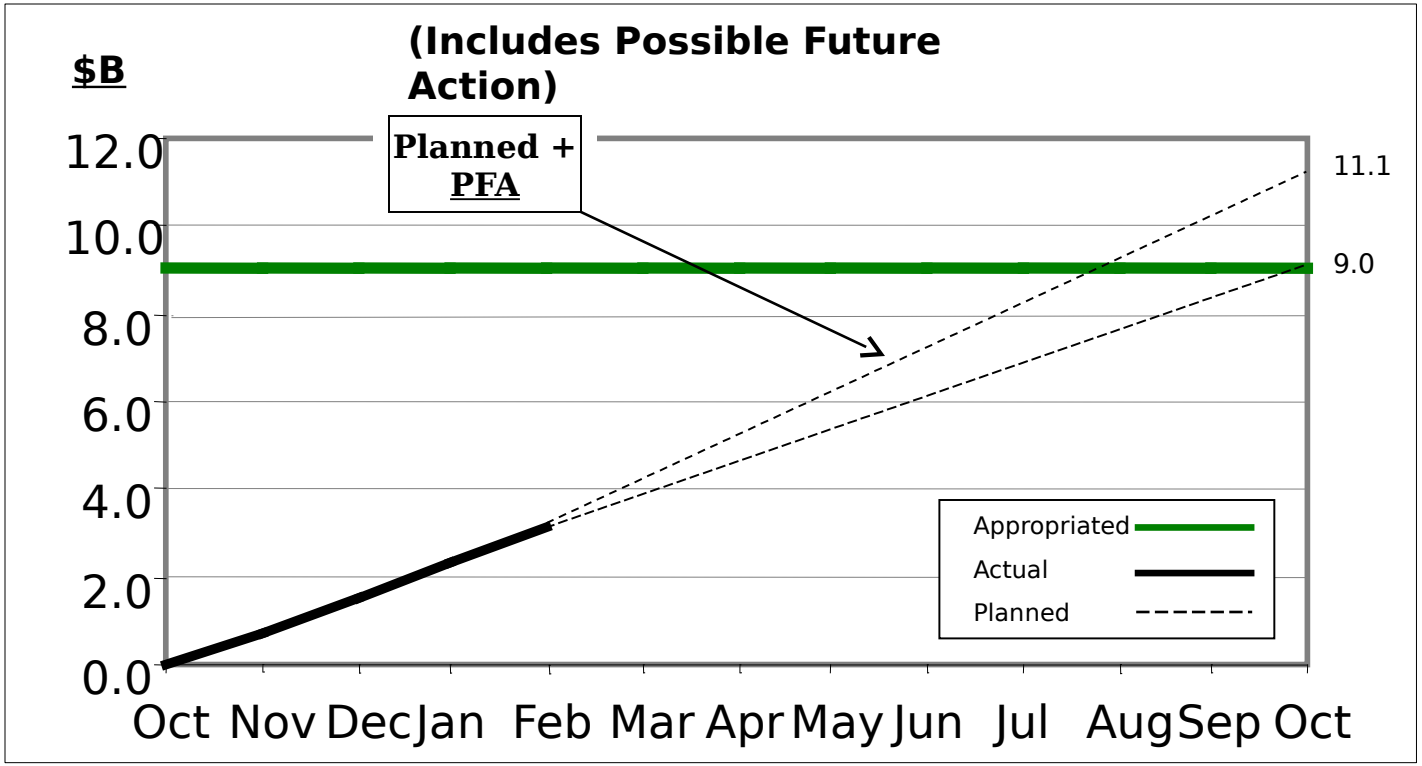
Impact With No Relief



Impact of Cash Flowing Contingencies – O&M



Impact of Cash Flowing Contingencies – MilPers



FY03 War Operations

Updated GOS Chart

- Requires additional supplemental funding
- 5 pieces:

Blue Dollars

1. Deployment / Redeployment - for contingencies, funded by Fleet Commander

Green Dollars

2. Operation and Maintenance costs of employment
3. Procurement costs of employment (expedited UNS)
4. Military Personnel (Mainly mobilization, Family Separation Allowance (FSA), Imminent Danger Pay (IDP) and subsistence)
5. Reconstitution

Date: 22 Jan

Urgent UNS

- **Total MROC approved $94M**
- **Purchased to date $87M**

- **Examples of funded UNS:**

FAC Suites $18.3M
- GLTD II (Grnd Based Laser Tgt Desig) $14.5M
- PRC-117F 2.2M
- PVS-15 1.0M
- PEQ-4 0.6M

Panel Bridging 10.6M
Mounted Data Automated Comm Terminal 7.1M
Full Width Mine Plow 5.4M
Blue Force Tracker 5.2M
Improved Ribbon Bridge 5.0M
Personal Role Radio 4.0M

Classified Slide Placeholder

Read ahead submitted via SIPRNET

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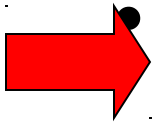

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Summary

Updated GOS Chart

- Where are we?
  - $16 → $20B Budget
  - Have and expect to be able to continue to fund Marines, Civilian Marines, and Readiness…
    - -- Military Personnel costs rising faster than budget
    - -- Leaves less for investment; increasing challenge to modernize
    - -- GWOT unfunded costs are huge wild card
- Where are we going?
  - Increasing pressure on staying modern and ready
  - Need for intense sensitivity and trade off assessments
  - Blue $ budget also increasing, but much greater challenges lay ahead

Date: 22 Jan

Back-up

Date: 22 Jan

Total USMC Green $

(FYDP $ in Millions)

	FY02	FY 03	FY 04	FY 05
MPMC	7,603	8,492	9,559	9,955
RPMC	467	554	[587]*	[612]*
O&MMC	2,965	3,521	3,407	3,670
O&MMCR	140	179	174	189
PMC	942	1,358	1,071	1,356
PANMC (AMMO)	147	281	232	253
R&D(GROUND)	612	721	714	786
FAMHSG	278	305	268	270
MILCON	344	249	272	218
MILCON(RES)	11	13	10	14
SUB-TOTAL $	13,509	15,672	15,708	16,711
BRAC		24	15	1
TOTAL GREEN $	13,509	15,696	15,723	16,711

Non-add
Numbers may not add due to rounding.

Date: 22 Jan

-FY 2004 President's Budget-

ONE / OEF
Requirements & Supplemental

	REQUIREMENTS			SUPPLEMENTAL	
Appropriation ($M)	**ONE**	**OEF**	**TOTAL**	**Approved**	**Delta**
Military Personnel	$ 56.9	242.5	**$ 299.4**	$ 256.4	$ (43.0)
O&M,MC	18.8	245.2	**264.0**	255.7	(8.3)
O&M,MCR	1.7	9.2	**10.9**	10.9	-
Procurement	2.0	23.3	**25.3**	23.3	(2.0)
RDT&E	-	0.1	**0.1**	0.1	-
MILCON	3.4	2.7	**6.1**	2.7	(3.4)
TOTALS	**$ 82.8**	**523.00**	**$ 605.8**	**$ 549.1**	**$ (56.7)**

Requirements Support:
- **Mobilization of ~3,000 USMCR.**
- **Stop Loss 500 Marines for AT/FP.**
- **Executive Agent for BOS CJTF-HOA.**
- **(2) CJTFs (CJTF-CM / CJTF-HOA).**
- **(2) Fwd Hqs (MARCENT / I MEF).**

Cash Flow ($M)	Month
Military Personnel	$ 25.0
OPTEMPO	25.5
TOTAL	**$ 50.5**

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